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SERVICE DATE - NOVEMBER 20, 1998

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FR-4915-00-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Docket No. MC-F-20937]

Coach USA, Inc., and Coach USA Northeast, Inc.--Control--Bonanza Bus Lines, Inc.

[STB Docket No. MC-F-20939]¹

Coach USA, Inc., and Coach USA North Central, Inc.--Control--Central Cab Company and Mountaineer Coach, Inc.

AGENCY: Surface Transportation Board.

ACTION: Notice Tentatively Approving Finance Transactions.

SUMMARY: Coach USA, Inc. (Coach), a noncarrier, and its wholly owned noncarrier subsidiaries, Coach USA Northeast, Inc. (Northeast), and Coach USA North Central, Inc. (North Central) (collectively, applicants), filed an application² under 49 U.S.C. 14303 for Northeast to acquire control of Bonanza Bus Lines, Inc. (Bonanza), a motor passenger carrier, and for North Central to acquire control of Central Cab Company (Central Cab) and Mountaineer Coach, Inc. (Mountaineer), both motor passenger carriers. Persons wishing to oppose the applications must follow the rules under 49 CFR 1182.5 and 1182.8.³ The

¹ These proceedings are not consolidated. A single decision is being issued for administrative convenience.

² Applicants filed a single pleading. Although the proposed control transactions are unrelated, applicants sought approval in a single application which embraced both transactions. Each transaction has been separately docketed.

³ Revised procedures governing finance applications filed under 49 U.S.C. 14303
(continued...)

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Board has tentatively approved the transactions, and, if no opposing comments are timely filed, this notice will be the final Board action.

DATES: Comments must be filed by January 4, 1999. Applicants may file a reply by January 19, 1999. If no comments are filed by January 4, 1999, this notice is effective on that date.

ADDRESSES: Send an original and 10 copies of any comments referring to STB Docket No. MC-F-20937, et al. to: Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, send one copy of comments to applicants' representatives: Betty Jo Christian and David H. Coburn, Steptoe & Johnson LLP, 1330 Connecticut Avenue, N.W., Washington, DC 20036.

FOR FURTHER INFORMATION CONTACT: Beryl Gordon, (202) 565-1600. [TDD for the hearing impaired: (202) 565-1695].]

SUPPLEMENTARY INFORMATION: In Coach USA, Inc., and Coach USA North Central, Inc.--Control--Nine Motor Passenger Carriers, STB Docket No. MC-F-20931, et al. (STB served Nov. 19, 1998), we approved, subject to comments, Coach's transfer of direct control of Coach-controlled motor passenger carriers to six noncarrier subsidiaries: North Central, Northeast, Coach USA South Central, Inc., Coach USA Southeast, Inc., Coach USA West, Inc., and Yellow Cab Service Corporation. While Coach will remain the sole

³(...continued)
were adopted in Revisions to Regulations Governing Finance Applications Involving Motor Passenger Carriers, STB Ex Parte No. 559 (STB served Sept. 1, 1998).

owner of all of the stock of the subsidiaries, and will indirectly control the operating carriers, the subsidiaries will directly control the existing and future operating carriers of Coach.

Coach currently controls 73 motor passenger carriers. In STB Docket No. MC-F-20937, Coach and Northeast seek control of Bonanza.⁴ In STB Docket No. MC-F-20939, Coach and North Central seek control of Central Cab⁵ and Mountaineer.⁶ The acquisitions of control will be accomplished through the acquisition of all of the stock of each carrier.

⁴ Bonanza is a Rhode Island corporation. It holds federally issued operating authority in Docket No. MC-13028, which authorizes it to provide regular-route operations between various points in New England and between points in New England to points in New York, and charter and special operations between points in the United States. It also holds authority issued by the Rhode Island Division of Public Utilities and Carriers, the Connecticut Department of Transportation, and the Massachusetts Department of Public Utilities to conduct intrastate operations. It operates 54 buses; employs approximately 150 persons; and earned gross annual revenues in fiscal year 1997 of approximately \$19 million. Prior to the transfer of its stock into a voting trust, it was owned by George M. Sage.

⁵ Central Cab is a Pennsylvania corporation. It holds federally issued operating authority in Docket No. MC-133058, which authorizes it to provide regular-route common carrier charter and special operations between points in the United States (except Hawaii). It also holds authority issued by the Pennsylvania Public Utility Commission, the Public Service Commission of West Virginia, and the Public Utilities Commission of Ohio to conduct intrastate operations. It operates approximately 34 motorcoaches, 11 school buses, and 9 vans; employs 96 persons; and earned gross annual revenues in fiscal year 1997 of approximately \$4.7 million. Prior to the transfer of its stock into a voting trust, it was owned by John L. McNelly.

⁶ Mountaineer is a Pennsylvania corporation. It holds federally issued operating authority in Docket No. MC-229627, which authorizes it to provide charter and special operations between points in the United States (except Alaska and Hawaii). It also holds authority issued by the Public Utilities Commission of West Virginia to conduct intrastate operations. It operates 6 motorcoaches and 2 vans; employs 28 persons; and earned gross annual revenues in fiscal year 1997 of approximately \$1.1 million. Prior to the transfer of its stock into a voting trust, it was owned by John L. McNelly.

According to applicants, the stock is currently held in independent voting trusts to avoid any unlawful control pending disposition of this proceeding.

Coach submits that there will be no transfer of any federal or state operating authorities held by any of the carriers to be acquired. Following the consummation of the control transactions, each of these carriers will continue operating in the same manner as before and, according to Coach, granting the applications will not reduce competitive options available to the traveling public. Coach asserts that the carriers to be acquired do not compete to any meaningful degree with one another, are relatively small, and each faces substantial competition from other bus companies and transportation modes.

Coach also submits that granting the application will produce substantial benefits, including interest cost savings from the restructuring of debt and reduced operating costs from Coach's enhanced volume purchasing power. Specifically, Coach claims that each carrier to be acquired will benefit from the lower insurance premiums negotiated by Coach and from volume discounts for equipment and fuel. Applicants indicate that Coach or the relevant subsidiary will provide each of the carriers to be acquired with centralized legal and accounting functions and coordinated purchasing services. In addition, applicants state that vehicle sharing arrangements will be facilitated to ensure maximum use and efficient operation of equipment and that coordinated driver training services will be provided. Applicants also state that the proposed transactions will benefit the employees of each of the carriers to be acquired and that all collective bargaining agreements will be honored by Coach and the subsidiaries.

Coach plans to acquire control of additional motor passenger carriers in the coming months. It asserts that the financial benefits and operating efficiencies will be enhanced further by these subsequent transactions. Over the long term, Coach states that it will provide centralized marketing and reservation services for the bus firms that it controls, thereby enhancing the benefits resulting from these control transactions.

Applicants certify that: (1) the jurisdictional threshold has been met with respect to the transactions that are the subject of the applications;⁷ (2) none of the carriers to be acquired holds an unsatisfactory safety rating from the U.S. Department of Transportation;⁸ (3) each of the carriers to be acquired has sufficient liability insurance; (4) none of the carriers to be acquired is domiciled in Mexico or owned or controlled by persons of that country; and (5) approval of the transactions will not significantly affect either the quality of the human environment or the conservation of energy resources. Additional information may be obtained from the applicants' representatives.

Under 49 U.S.C. 14303(b), we must approve and authorize a transaction we find consistent with the public interest, taking into consideration at least: (1) the effect of the transaction on the adequacy of transportation to the public; (2) the total fixed charges that result; and (3) the interest of affected carrier employees.

⁷ See 49 CFR 1182.2(a)(5).

⁸ Bonanza and Central Cab each hold a satisfactory rating; Mountaineer has not been rated.

On the basis of the applications, we find that the proposed acquisitions of control are consistent with the public interest and should be authorized. If any opposing comments are timely filed, this finding will be deemed vacated and, unless a final decision can be made on the record as developed, a procedural schedule will be adopted to reconsider the applications.⁹ If no opposing comments are filed by the expiration of the comment period, this decision will take effect automatically and will be the final Board action.

Board decisions and notices are available on our website at
“WWW.STB.DOT.GOV.”

This decision will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

1. The proposed acquisitions of control are approved and authorized, subject to the filing of opposing comments.
2. If timely opposing comments are filed, the findings made in this decision will be deemed as having been vacated.
3. This decision will be effective on January 4, 1999, unless timely opposing comments are filed.

⁹ Under revised 49 CFR 1182.6(c), a procedural schedule will not be issued if we are able to dispose of opposition to the application on the basis of comments and the reply.

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4. A copy of this notice will be served on: (1) the U.S. Department of Transportation, Office of Motor Carriers-HIA 30, 400 Virginia Avenue, S.W., Suite 600, Washington, DC 20024; and (2) the U.S. Department of Justice, Antitrust Division, 10th Street & Pennsylvania Avenue, N.W., Washington, DC 20530.

Decided: November 12, 1998.

By the Board, Chairman Morgan and Vice Chairman Owen.

Vernon A. Williams

Secretary